



JAMES MADISON UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS

FOR THE YEAR ENDED

JUNE 30, 2021

Auditor of Public Accounts

Staci A. Henshaw, CPA

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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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January 24, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Jonathan R. Alger
President, James Madison University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the **James Madison University's** Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2021. University management is responsible for the Schedule and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures and associated findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audit of the university's financial statements. In addition, we identified and reviewed those controls unique to the Intercollegiate Athletics Department, which were not reviewed in connection with our audit of the university's financial statements.

2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the Information Technology Department.
3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the university's intercollegiate athletics programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the university's intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2021, as prepared by the university, and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics department's accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.
8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. We found no variances exceeding ten percent of prior period amounts or budget estimates.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
10. We obtained documentation of the university's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found the accounting records agree with the Schedule, and amounts transferred to the Intercollegiate Athletics Department and reported in the Schedule do not exceed expected amounts based on enrollment.
11. We obtained the amount of direct institutional support revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
12. We obtained the amount of game guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by its intercollegiate athletics programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the James Madison University Foundation, Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics programs. We reviewed contributions from the James Madison University Foundation, Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation.
14. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
15. We obtained the amount of media rights revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of NCAA and conference distribution revenue from the Schedule. The amounts were deemed to be immaterial for detailed testing.
17. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
18. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

Expenses

19. Intercollegiate Athletics Department management provided us a listing of student aid recipients during the reporting period. Since the university used the NCAA Compliance Assistant software to prepare athletic aid detail, we selected 10 percent of individual student-athletes across all sports and obtained the students' account detail from the university's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System via Compliance Assistant. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting system. We performed a check of selected students' information as reported in the NCAA's Compliance Assistant Software to ensure proper calculation of revenue distribution equivalencies.
20. We obtained the amount of game guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.
21. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the university during the reporting period. We selected and tested individuals, including football and men's and women's basketball coaches, and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and agreed with approved contracts or other documentation.
22. We obtained a listing of debt service payments for athletic facilities for the reporting year. We reviewed all debt service payments and agreed them to supporting documentation.
23. We selected a sample of disbursements for direct overhead and administration. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.
24. We obtained an understanding of the University's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Other Reporting Items

25. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation.

- 26. We agreed total outstanding institutional debt to supporting debt schedules and the university's unaudited financial statements and general ledger, as the audited financial statements were not yet available.
- 27. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the James Madison University Foundation, Inc.
- 28. We agreed the fair value of institutional endowments to supporting documentation provided by the James Madison University Foundation, Inc.
- 29. We obtained a schedule of athletics related capital expenditures made during the period. We reviewed all capitalizable equipment transactions to validate existence and accuracy of the recording and recalculated totals.

Additional Procedures

- 30. We compared the sports sponsored by the university, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the NCAA's Compliance Assistant software for the institution. We noted agreement of the sports reported.
- 31. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.
- 32. We obtained the university's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.9.6.3 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
- 33. We compared the current number of sports sponsored to the prior year total reported in the university's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
- 34. We obtained a listing of student-athletes receiving Pell grant awards from the university's student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

35. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

We were engaged by university management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of James Madison University and its President and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

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JAMES MADISON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2021

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 241,211	\$ 5,628	\$ 4,442	\$ -	\$ 32,209	\$ 283,490
Student fees	-	-	-	-	46,129,126	46,129,126
Direct institutional support	223,940	255,032	216,032	75,087	205,489	975,580
Guarantees	-	35,000	-	14,160	-	49,160
Contributions	16,776	31,550	5,896	180,817	2,129,776	2,364,815
In-Kind	59,059	27,079	24,080	103,995	75,207	289,420
Media rights	17,289	-	-	-	-	17,289
NCAA distributions	66,668	1,071	4,573	166,766	500,542	739,620
Conference distributions (non-media and non-football bowl)	-	-	-	-	100,000	100,000
Royalties, licensing, advertisement and sponsorships	63,203	11,552	4,617	15,300	1,732,652	1,827,324
Other operating revenue	626	-	-	6,970	81,932	89,528
Total operating revenues	<u>688,772</u>	<u>366,912</u>	<u>259,640</u>	<u>563,095</u>	<u>50,986,933</u>	<u>52,865,352</u>
Operating expenses:						
Athletic student aid	2,509,683	515,022	644,249	5,687,888	454,499	9,811,341
Guarantees	140,000	36,890	16,294	3,992	-	197,176
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,126,564	1,002,578	611,026	3,109,326	-	6,849,494
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	769,338	375,390	225,374	757,422	6,493,330	8,620,854
Severance payments	-	292,315	-	-	11,832	304,147
Recruiting	11,170	14,979	10,925	25,749	-	62,823
Team travel	634,291	91,431	102,978	746,890	-	1,575,590
Sports equipment, uniforms, and supplies	305,418	52,120	54,746	378,861	55,574	846,719
Game expenses	328,671	138,495	85,922	199,202	378,125	1,130,415
Fundraising, marketing and promotion	86,069	10,968	7,507	11,094	314,145	429,783
Spirit groups	-	-	-	-	894,536	894,536
Athletic facility leases and rental fees	-	-	-	-	214,134	214,134
Athletic facility debt service	-	-	-	-	10,135,496	10,135,496
Direct overhead and administrative expenses	777,965	748,327	751,167	1,127,270	1,424,417	4,829,146
Indirect cost paid to the institution by athletics	-	-	-	-	4,558,735	4,558,735
Medical expenses and insurance	54,285	16,916	11,706	86,603	553,176	722,686
Memberships and dues	780	85	-	14,239	15,960	31,064
Student-Athlete meals (non-travel)	46,051	23,513	22,511	19,783	-	111,858
Other operating expenses	118,447	38,368	27,702	134,268	1,220,570	1,539,355
Total operating expenses	<u>7,908,732</u>	<u>3,357,397</u>	<u>2,572,107</u>	<u>12,302,587</u>	<u>26,724,529</u>	<u>52,865,352</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (7,219,960)</u>	<u>\$ (2,990,485)</u>	<u>\$ (2,312,467)</u>	<u>\$ (11,739,492)</u>	<u>\$ 24,262,404</u>	<u>\$ -</u>
Other Reporting Items:						
Total athletics-related debt						\$ 113,379,050
Total institutional debt						\$ 413,814,327
Value of athletics-dedicated endowments						\$ 11,483,349
Value of institutional endowments						\$ 143,206,127
Total athletics-related capital expenditures						\$ 10,643,282

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

JAMES MADISON UNIVERSITY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the university's Athletic Department has been prepared on the accrual basis of accounting, with the exception of debt service payments and depreciation. Principal and interest payments made on long-term debt related to athletic facilities are included in expenses on the cash basis (see Note 4). In the university's financial statements, depreciation expense is not included at the program level, and therefore is not allocated to athletics in the accompanying Schedule. See Note 3 for further information on athletics related capital assets.

The Schedule's purpose is to present a summary of revenues and expenses related to the university's intercollegiate athletics programs for the year ended June 30, 2021. The Schedule includes both those revenues and expenses for athletic programs under the direct accounting control of the university and those on behalf of the university's athletics programs by outside organizations not under the university's accounting control. Because the Schedule presents only a selected portion of the university's activities, it is not intended to and does not present either the net assets, changes in net assets, or changes in cash flow for the year then ended.

Sports Accounting – Because of the significant revenues and expenses generated by football, men's basketball, and women's basketball, they are reported separately. Other sports in which the university participates are combined and reported as "Other Sports." Athletic Department administrative functions and activities that provide support for all sports have been combined for reporting purposes under the caption "Non-Program Specific." These support activities include costs such as those related to facilities maintenance, fundraising/promotions, sports medicine, academic counseling, administration, communications, ticket office, compliance, etc.

Student Fees – The university assesses each student a comprehensive fee that covers a variety of auxiliary programs, such as student activities, student health, transportation, athletics, and auxiliary related debt service. The comprehensive fee is distributed near year-end based on budgeted amounts. For the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs, student fees are allocated to cover any overall athletic operating deficit. Conversely, if revenues exceed expenses, student fees allocated are reduced since any excess does not remain with the athletic department but instead increases the University's general auxiliary reserve.

Direct Institutional Support – The University funds various auxiliary renovation and maintenance projects or enhances auxiliary operating budgets from the general auxiliary reserve.

Athletic-related project expenses that are not capitalized and non-recurring operating enhancements are recorded in the applicable expense categories, with an offsetting amount recognized as direct institutional support revenue.

2. COMPONENT UNIT

The James Madison University Foundation, Inc. is included as a component unit in the university's financial statements. The foundation was formed to promote the achievements and further the aims and purposes of the university. The foundation accomplishes its purposes through fundraising and funds management efforts that benefit the university and its programs. Donations to the foundation earmarked for athletics operations or capital projects are not included in the Schedule, nor is endowment financial activity related to athletics. Foundation expenses made on behalf of the athletics programs are included in the Schedule. Expenses made in support of athletics totaling \$2,339,955 are included in revenue as "contributions" and included in various operating expense lines.

3. CAPITAL ASSETS

The university's policies and procedures for acquiring, approving, depreciating, and disposing of athletic-related capital assets is the same as for all university capital assets.

Capital assets include buildings and other improvements, equipment, and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the university as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories, and therefore depreciation is not included in the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs. Useful lives by asset categories are listed below:

Buildings	25-50 years
Other improvements and infrastructure	20 years
Equipment	5-15 years

A summary of athletic-related capital assets for the year ending June 30, 2021, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Construction in progress**	\$ 84,717,808	\$ 652,847	\$ (84,501,407)	\$ 869,248
Depreciable capital assets:				
Buildings and other improvements*	145,155,451	93,921,771	(4,291,010)	234,786,212
Infrastructure	15,608,681	-	(22,303)	15,586,378
Equipment	6,354,132	5,683,729	(97,223)	11,940,638
Total depreciable capital assets	167,118,264	99,605,500	(4,410,536)	262,313,228
Less accumulated depreciation for:				
Buildings and other improvements*	59,065,116	6,285,909	(2,846,702)	62,504,323
Infrastructure	6,712,779	790,790	(16,950)	7,486,619
Equipment	3,922,149	565,465	(92,021)	4,395,593
Total accumulated depreciation	69,700,044	7,642,164	(2,955,673)	74,386,535
Total capital assets, Net	<u>\$ 182,136,028</u>	<u>\$ 92,616,183</u>	<u>\$ (85,956,270)</u>	<u>\$188,795,941</u>

*Beginning balance adjusted by \$546,085 for understatement of FY20 capital assets and by \$6,501 for understatement of accumulated depreciation for FY20 Building Renovation asset 0057D not included in FY20 footnotes

**Beginning balance adjusted by \$229,263 for understatement of FY20 non-depreciable capital assets (CIP).

4. LONG-TERM DEBT

For debt related to the Intercollegiate Athletic Department, the university has issued Section 9(d) bonds pursuant to Article X of the Constitution of Virginia. These bonds are revenue bonds, which are limited obligations of the university payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged general fund revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the university and various other institutions of higher education. The university's general revenue also secures these notes.

Description	Interest Rates		Balance at June 30, 2021
	%	Maturity	
Veteran's Memorial Park	1.33-5.00	2030	\$ 4,850,000
Bridgeforth Stadium	1.53-5.00	2031	24,705,000
University Park*	1.33-5.50	2032	13,564,050
Atlantic Union Bank Center	3.54-5.00	2049	70,260,000
Total			<u>\$113,379,050</u>

* Multiple debt issues were issued for both athletic and recreation facilities.
Debt listed above represents only the portion of debt allocated to athletics.

Long-term debt matures as follows:

	Principal	Interest
2022	\$ 1,535,000	\$ 4,842,087
2023	5,690,250	4,658,440
2024	5,981,950	4,368,265
2025	6,226,600	4,113,735
2026	6,448,800	3,896,940
2027-2031	33,054,150	15,363,372
2032-2049	<u>54,442,300</u>	<u>24,660,044</u>
Total:	<u>\$ 113,379,050</u>	<u>\$61,902,883</u>

5. EXPENSE CATEGORIES

Spirit Groups – The spirit group category consists of all expenses related to the JMU Marching Band and Cheerleaders, including student aid and salaries/wages.

Indirect cost paid to the institution by athletics – The Commonwealth's Appropriation Act (Chapter 1289 for the 2021-2022 biennium) requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. The University assesses each auxiliary unit an indirect charge to recover institutional educational and general administrative overhead costs. In fiscal year 2021, this charge to the athletics department amounted to \$4,558,735.

Other expenses - Expenses in this category include communication services, supplies, non-capitalized equipment/rentals, employee training and development, moving and relocation, and travel (other than team travel).

6. EQUITY IN DISCLOSURE ACT (EADA) REPORTING

The university annually prepares the EADA Survey that reports on athletic participation, staffing, and revenue and expenses, categorized by men's and women's teams. The Survey is

submitted to the federal Department of Education's Office of Postsecondary Education and is available at the following web address: <http://ope.ed.gov/athletics>.

It is the university's policy that revenue and expenses reported in the EADA Survey will equal the NCAA Schedule of Revenues and Expenses of Intercollegiate Athletics Programs balances, with the exception of debt service. The EADA Survey requires that preparers exclude debt service from athletic-related expenses.

JAMES MADISON UNIVERSITY

As of June 30, 2021

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